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holds by the principle of "faculty," though he defines it in his own way. Faculty has a "production side" as well as a "consumption side." Equality of sacrifice, or any variation of the idea of sacrifice, covers only the consumption side. The idea of "privilege" must be taken into account for a well-balanced view of faculty.

Not only how much a man has, but how he got it, how easily, with what assistance from the State, and with what prospect of an easy continuation of such income, must be ascertained before a man's real ability to pay is known. From this central standpoint—a compromise between the exaggerations of the advocates of the old faculty theory, and of the single-taxers—Professor Seligman looks with sympathy upon the general tendencies of the time.

But it is not the discussion of general principles that form the main, or the most valuable part of this work. It should be read rather for the masterly and reliable digests and summaries it gives of complicated fiscal systems, and the bold yet sagacious use which is made of the method of comparative study.

H. D. HENDERSON.

The Standard of Value. By SIR DAVID BARBOUR. (London: Macmillan. 1912. Pp. xvi + 242. Price 6s. net.)

STUDENTS of Blue Books dealing with monetary topics have long been aware that there has been no administrator in modern times with a firmer practical and theoretical grasp of the subject of Money than Sir David Barbour. Now, for the second time, he has turned author and has produced a volume fully worthy of his distinguished reputation.

The object of the book is twofold. The first part is a statement of that view of monetary theory on which Sir David has based his practical policies. The second is an *apologia* for these practical policies, in particular his apparent treachery to Bimetallicism and the circumstances connected with the closing of the Mints in India. The theoretical preliminaries are very admirably treated, and are, in the opinion of the present reviewer, much superior to the work in these fields of all but a very few academic economists; and Chapter X., on "Alterations in the Relative Value of Different Monetary Standards," contains a not unimportant contribution to pure theory (about the practical application of which something is said below). But perhaps the historical and personal parts, constituting, as perhaps they do, the most important commentary in existence on the Bimetallic con-

troversy, are of the greater interest, and I will devote my review mainly to these.

For a very long period Bimetallism was almost perfectly effective:—"Taking the two markets of Hamburg and London, the highest market ratio from 1801 to 1870 was 15·8 to one, and the lowest was 15·48 to one, though during that period the relative production of gold and silver varied from 24 to 76, to 78 to 22." In 1872 Cairnes wrote that he believed a serious divergence in the relative value of gold and silver to be "practically out of the question." Sir David Barbour holds that the statesmen who initiated the monetary charges of the 'seventies, whether they acted wisely or not, certainly did not realise in the least what the consequences of their action would be. "The world drifted into Bimetallism and drifted out of Bimetallism without foreseeing the probable consequences of either change."

The actual consequences of the partial demonetisation of silver led, as we all know, to an historic controversy. With his appointment to the Royal Commission on Gold and Silver in 1886, Sir David Barbour began to take a prominent part in it. He belonged to the Minority party (five out of twelve) in the Commission, who "foresaw serious risks in the future if the simple gold standard was adhered to." Events have sided with the majority, but Sir David shows conclusively that the reasons on which their recommendations were based are open to serious criticism. Their whole attempt to distinguish between that part of the fall in general prices which was due to the "Appreciation of Gold" and that part which was due to other causes was founded on confusion; and the following passage from their report is not one which can fill the later critic with confidence in the grasp of monetary theory by these Commissioners:—"We believe the fall (in general prices) to be mainly due, at all events, to circumstances independent of changes in the production of, and demand for, the precious metals, or the altered relation of silver to gold."

Sir David then turns to the causes which led up to the closing of the Indian Mints. His explanation of the fall of the silver exchanges, based on the theoretical discussion referred to above, is, I think, in the emphases he makes, somewhat new, and at the same time very convincing. The fall in the gold price of silver was not mainly due, he affirms, either to the fall in the demand for silver due to its partial demonetisation or to any increased output of silver from the mines. It was to be explained by the fall of the *general* level of prices as measured in gold. If the exchange between gold and silver is to remain steady, while

general gold prices are falling in gold countries, then the general level of silver prices in silver countries must also fall, in order to preserve the balance of trade between the two and to prevent the silver countries from being flooded with goods from the gold countries for which they are unable to render other goods in exchange. This fall in silver prices, if it took place, would release silver from circulation. Quite apart, therefore, from new sources of supply of silver and the falling off of old sources of demand, this tendency to release silver from circulation must result in a substantial fall in the gold price of silver, unless—which is improbable in the absence of the bimetallic tie—the demands for silver elsewhere or for other purposes respond with great elasticity to a rise in the relative cost of gold and are not much dependent on the relative cost of other commodities. As a matter of fact, silver prices fell but slightly between 1873 and 1887, so that the prolonged fall of gold prices during this period had to be mainly compensated by a fall in the gold price of silver (*i.e.*, by a fall in the silver exchanges); otherwise equilibrium of trade could not have been maintained between gold-using and silver-using countries. As soon as the bimetallic link was broken and a large group of gold-using countries had been formed, the gold price of silver became chiefly dependent, so long as there was still an important group of silver countries, on the ratio of the general level of gold prices of articles of international trade in gold countries to the corresponding level of silver prices in silver countries. In the particular circumstances of the 'seventies and 'eighties the governing cause of the fall in the gold price of silver lay in the fall in the value of the denominator of the above fraction. As Sir David Barbour puts it, the fall in exchange, arising out of the tendency of trade prices to equilibrium, was the cause of the fall in the gold price of silver, rather than the other way round. This being the case, "any attempt to restore the old par of exchange between the two metals by purchasing limited quantities of silver was bound to prove too great a burden for any nation that undertook it," for it would have meant "the purchase of enough silver to cause a fall in silver prices in India and elsewhere of quite 30 per cent." "So far as the interests of Bimetallism were concerned, the purchase of silver by the United States was probably mischievous, as it relieved the strain on gold."

Sir David's account of the part he himself played in the closing of the Indian Mints is most interesting. His action in recommending it was a courageous one, involving a complete break of ideas from those of bimetallic friends of many years'

standing. The governing consideration in his mind seems to have been that a permanent difference of monetary standard between India and the chief countries with which she traded was intolerable; and there could be no permanent remedy "except either the general adoption of the system of double legal tender or the extension of the single gold standard." As soon as proposals for the first alternative seemed to be definitely defeated, Sir David Barbour did not delay or hesitate in falling back on the second.

To those of us who were in our nurseries when these things happened, it is an interesting speculation whether, living then, the Bimetallic or the Monometallic camp would have contained us. To a cool backward glance, Sir David Barbour's course seems to have had very much to recommend it. The choice of one metallic standard rather than another for any individual country is rightly guided by historical circumstance; it is not a matter on which theory as to what would make the best universal standard should count for much. In the 'eighties bimetallism must have seemed worth fighting for. But the course of events—American politics, South African gold and so forth—defeated it. The wise bimetallist should have hastened to acknowledge defeat. The statesmanlike opportunism of Sir David Barbour appears to such a backward glance in a stronger light than the dogmatisms of, for example, Sir Robert Giffen about the impracticability of a gold standard or the immeasurable evils of a managed currency.

This book is of a very rare type—wonderfully full of practical wisdom, yet showing at the same time the intellectual sharpness and precision of a first-rate academic mind. Happy the country which can discover in its administrators so fine a combination of gifts.

J. M. KEYNES.

Gold, Prices, and Wages. By J. A. HOBSON. (London: Methuen. 1913. Pp. xi+181. 3s. 6d. net.)

ONE comes to a new book by Mr. Hobson with mixed feelings, in hope of stimulating ideas and of some fruitful criticisms of orthodoxy from an independent and individual standpoint, but expectant also of much sophistry, misunderstanding, and perverse thought. In some of his books the first elements greatly predominate. In his latest work now before us, the latter prevail almost throughout. The book is a very bad one, made much worse than a really stupid book could be, by exactly those characteristics of cleverness and intermittent reasonableness which have

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